Atlantia

Press Release

STANDARD & POOR'S RESOLVES ATLANTIA'S PLACEMENT ON CREDITWATCH NEGATIVE AND DOWNGRADES RATING TO 'BBB+'

The Company's CEO, Giovanni Castellucci, stressed that *"despite Standard & Poor's decision – which is essentially linked to country risk and the current economic difficulties – Atlantia's rating remains the best in the world in our sector. Standard & Poor's rating is further encouragement to strengthen our focus on overseas countries with the highest potential".*

Rome, 23 February 2012 – Following its downgrade of the Republic of Italy on 13 January of this year, Standard & Poor's has today resolved its placement of Atlantia on creditwatch with negative implications, downgrading the Company's rating to 'BBB+' with a negative outlook.

The downgrade primarily reflects the increased country risk to which the Company, which operates mainly in the Italian market, is exposed.

The negative outlook reflects the risk of a downgrade should Italy be further downgraded, new austerity measures and/or a worsening of the Company's financial position were macroeconomic conditions to have a negative impact on traffic.

The agency also stated that, aside from country risk, the Company's business remains solid and it has sufficient cash reserves to fund its investment programme.

The full text of the announcement is provided below.

Investor Relations
e-mail: investor.relations@atlantia.it

Media Relations
e-mail: media.relations@atlantia.it

www.atlantia.it

STANDARD & POOR'S

My Credit Profile

PDF

Table of Contents

Research Update: Italy-Based Atlantia And Its Toll Road Operator ASPI Downgraded To 'BBB+' On Increasing Country Risk; Outlook Negative

Publication date:	23-Feb-2012
Primary Credit Analyst:	Juliana Gallo, London (44) 20-7176-3612; juliana_gallo@standardandpoors.com
Secondary Contact:	Aurelie Hariton-Fardad, London (44) 20-7176-3677; aurelie_hariton-fardad@standardandpoors.com

Overview

- Following our downgrade of Italy last month, we have reassessed the business risk profiles of Italy-based Atlantia SpA and its toll road network operator Autostrade per l'Italia SpA (ASPI).
- We now consider Atlantia's and ASPI's business risk profiles to be "strong," compared with "excellent" previously, reflecting our view of an increase in the country risk to which the companies are exposed.
- We are therefore lowering our long-term corporate credit and issue ratings on Atlantia and ASPI to 'BBB+' from 'A-', and removing them from CreditWatch negative.
- The negative outlook primarily reflects the risk of a further downgrade in the event of a downgrade of Italy and/or deterioration in the companies' financial profiles, notably if poor macroeconomic conditions depress traffic volumes.

Rating Action

On Feb. 23, 2012, Standard & Poor's Ratings Services lowered to 'BBB+' from 'A-' its long-term corporate credit and issue ratings on Italy-based Atlantia SpA and Atlantia's main toll road network operator in Italy, Autostrade per l'Italia SpA (ASPI). At the same time, we removed the ratings from CreditWatch, where they were placed with negative implications on Dec. 8, 2011. In addition, we affirmed our 'A-2' short-term corporate credit ratings on Atlantia and ASPI. The outlook is negative.

Rationale

The downgrades reflect our reassessment of the business risk profiles of Atlantia and ASPI following our downgrade of the Republic of Italy (BBB+/Negative/A-2; unsolicited ratings) on Jan. 13, 2012. As a result of our reassessment, we are revising Atlantia's and ASPI's business risk profiles to "strong" from "excellent," to reflect an increase in the country risk to which we believe the companies are exposed.

We equalize the ratings on ASPI with those on Atlantia to reflect ASPI's strategic importance for Atlantia as its largest asset and largest contributor to EBITDA.

Our assessment of Atlantia's and ASPI's business risk profiles as "strong" reflects the stability of the group's mature and profitable long-term toll-road concessions in Italy, which represent 98% of Atlantia's EBITDA and are operated under a concession agreement that we view as favorable. In light of the high exposure of Atlantia and ASPI's businesses to Italy, we believe that the companies could be adversely affected by deterioration in economic and political conditions in the country. The effects of such deterioration could be both direct--for example, changes in regulation or taxation without appropriate compensation--and indirect--for example, a depression in consumer spending following an increase in taxation, leading to a reduction in traffic volumes.

We continue to view Atlantia's and ASPI's financial risk profiles as "significant." This reflects relatively high indebtedness and a relatively rigid dividend policy owing to the group's 46.4% ownership by holding company Sintonia S.A. (not rated). Sintonia reports net debt of €809 million (as of December 2010) and uses dividend distributions from Atlantia to service its financial obligations. In addition, Atlantia plans to invest about €17 billion in its toll road network over the next 10 years, which, in our opinion, will constrain its ability to deleverage. Accordingly, under our base-case operating scenario, we anticipate that Standard & Poor's-adjusted funds from operations (FFO) to debt will fall in the 13%-15% range until 2015.

Our base-case operating scenario reflects our forecast that real GDP in Italy will decrease by 1% in real terms in 2012, with inflation of 2% and unemployment increasing by 0.6 percentage points. In our view, this will likely continue to reduce traffic volumes. However, we believe that inflation-linked tariff increases, and the consolidation of a recently formed Brazilian joint venture, will continue to support mid- and high single-digit growth in revenues and EBITDA, respectively, in 2012 and 2013.

We consider the group's liquidity to be "adequate," with committed lines secured until the end of 2014. However, we believe that severe economic stress could disrupt the group's access to the capital markets ahead of the refinancing of €2.2 billion of outstanding notes maturing in 2014. That said, we note that Atlantia has already taken positive steps to mitigate future refinancing risks through the recent issuance of a seven-year €1 billion bond.

Liquidity

We assess Atlantia's liquidity as "adequate" under our criteria. We anticipate that sources of liquidity will cover uses by 2.1x in the 12 months to Dec. 31, 2012, and that coverage will remain at more than 1x in the following year.

We estimate that Atlantia's financing needs in the 12 months to Dec. 31, 2012, comprise:

- Short-term debt of €270 million;
- Capital expenditures (capex) of €1.9 billion;
- Dividend payments of about €475 million; and
- Equity investments in the joint venture in Brazil of about €200 million.

We forecast that sources of liquidity over the same period will be about €6 billion, including:

- Available cash of about €570 million as of Dec. 31, 2011;
- The recent bond issue of €1 billion, which was partially used to repay repurchased notes totaling €587.6 million with an original maturity of 2014;
- FFO of about €1.7 billion; and
- Availability under long-term committed credit lines of €3.4 billion.

Atlantia and ASPI guarantee each other's European Investment Bank (EIB; AAA/Negative/A-1+) loans, which total €1.1 billion. If we were to downgrade Atlantia below 'BBB', the EIB could request replacement of the guarantor. If the companies are unable to find new guarantors, the EIB could ask for early repayment of the loans.

Outlook

The negative outlook reflects the risk of a downgrade in the event of a downgrade of Italy and/or an escalation of country risk. Country risk could escalate as a result of austerity measures imposed by the Italian government or if tariff increases were not made in full and on time. The negative outlook also reflects the risk that Atlantia's financial profile may deteriorate, notably if poor macroeconomic conditions depress traffic volumes on its Italian toll road networks more than we anticipate.

Atlantia's cost base and capex program are, in our view, largely fixed and, due to its ownership structure, its dividend policy is relatively rigid. Therefore any shortfall in operating cash flows is likely to result in increased indebtedness and to impair credit metrics. The ratings on Atlantia would come under pressure if funds from operations to debt ratio failed to remain above 12%, if liquidity did not remain "adequate," or if the group's financial policy were to change. Such change could include an increase in dividends to support debt service at Sintonia.

We could revise the outlook to stable if the rating on the sovereign stabilizes while Atlantia sustains FFO to debt above 12%.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008

Ratings List

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Atlantia SpA		
Corporate Credit Rating	BBB+/Negative/A-2	A-/Watch Neg/A-2
Senior Unsecured Debt*	BBB+	A-/Watch Neg
Senior Unsecured Debt	BBB+	A-/Watch Neg
Autostrade per l'Italia SpA		
Corporate Credit Rating	BBB+/Negative/A-2	A-/Watch Neg/A-2
Senior Unsecured Debt	BBB+	A-/Watch Neg

*Guaranteed by Autostrade per l'Italia SpA

Additional Contact:	Infrastructure Finance Ratings Europe; InfrastructureEurope@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.